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Do Exporting Firms Pay Higher Wages? Evidence from Kenya's Manufacturing Sector

Maureen Were and Steve Kayizzi-Mugerwa

Abstract: When trade liberalization was first embarked on in Kenya some 20 years ago, a key argument against it was that it would reduce domestic wages, as exporting firms sought to remain competitive versus, for example, the low-cost Asian countries. A counter argument was that manufactured exports require more elaborate design, supervision, packaging and handling, and thus a more educated labor force than production for the domestic market. To attract such skills, exporting firms would need to pay higher wages than non-exporting ones. This paper uses data from Kenyan manufacturing to study the impact of trade liberalization on earnings, distinguishing between exporting and non-exporting firms. In particular, it investigates whether exporting firms paid a wage-premium to their employees. The study uses manufacturing firm survey data from a World Bank regional project. The study has three important findings: (1) There was a large and significant effect of exporting on wages in the first decade of trade liberalization. During the first half of the 1990s, workers in exporting firms earned up to 30 percent more than those engaged in non-exporting firms. The results are robust even after controlling for individual and firm-level characteristics such as employee demographics, productivity, firm location and occupation. (2) After a decade of trade liberalization, exporting ceased to be a significant determinant of wages in Kenyan manufacturing, after controlling for productivity and firm location. (3) During the 2000s, casual or irregular employment became a more common feature of exporting firms. The results suggest that while higher wages were important in attracting skilled labor to exporting firms at the beginning of trade liberalization in the 1990s, domestic competition has since reduced the wage premium. Cost cutting pressures are instead reflected in the substitution of casual and low wage labor for permanent and better educated labor and in increased automation.

Econometric Analysis of Foreign Reserves and Some Macroeconomic Variables in Nigeria (1970–2007)

Felicia O. Olokoyo, Evans S.C. Osabuohien and O. Adeleke Salami

Abstract: Countries are showing interest in accumulating foreign reserves to ensure macroeconomic stability. There has been some debate whether to beef up the level of nations' foreign reserves or make it lower, especially in developing countries like Nigeria. Whereas some argue that the foreign reserve determines the country's rating in the global market, others hold opposing views. In this light, this paper examined the interactive influence of foreign reserve (FRS) on some macroeconomic variables such as: economic size (GDP); trade; level of capital inflows (KFL); exchange rate (EXR); and inflation. Analyzing secondary data from CBN statistical bulletins (1970–2007), the econometric results obtained from cointegration test, vector error correction (VEC) within the framework of autoregressive distributed lags (ARDL) revealed the following: (1) existence of a long-run relationship between the variables and two cointegrating equations; (2) possibility of convergence of the variables from the short run to the long run with slow speed of adjustment. It is thus the conclusion of this paper that accumulation of large foreign reserves is not very productive in Nigeria due to its inability to induce some of the macroeconomic variables.

Bank Lending and Business Cycles: South African Evidence

Oludele Akinloye Akinboade and Daniel Makina

Abstract: The paper provides empirical analysis on the linkage between the behavior of bank lending and business cycles in South Africa. Consistent with theory, overall evidence suggesting pro-cyclicality of bank lending is uncovered both at macro and micro levels. At macro level, bank lending and lending rates have moved in tandem with business cycles. Real borrowing by government was counter-cyclical to business cycles as would be expected if the role of government was to fine-tune the economy during booms and recessions. At micro level, bank lending to households and firms was generally pro-cyclical. Even the growth of provisioning by banks has been largely pro-cyclical to business cycles, though exceptions were recorded. First, new mortgage lending exhibited counter-cyclical behavior before 1993. We attributed this behavior to the political and economic climate prevailing then which created uncertainties that made ownership of property a good hedge against economic and political risks. Secondly, the growth of real credit for investment and of foreign trade finance does not appear to have been related to business cycles.

Exchange Rate Volatility and Trade: An Empirical Investigation from Cross-country Comparison

Ilhan Ozturk and Huseyin Kalyoncu

Abstract: This paper investigates empirically the impact of exchange rate volatility on the trade flows of six countries over the quarterly period of 1980–2005. The impact of a volatility term on trade is examined by using an Engle-Granger residual-based cointegrating technique. The major results show that increases in the volatility of the real exchange rate, approximating exchange-rate uncertainty, exert a significant negative effect on trade for South Korea, Pakistan, Poland and South Africa and a positive effect for Turkey and Hungary in the long run.

Determinants of Demand for Delivery Services in Sudan: An Empirical Investigation with Reference to Khartoum State, 2004

Huda Mohammed Mukhtar Ahmed and Hatim Ameer Mahran

Abstract: Using multinomial logistic methods, we examined the determinants of the delivery care seeking behavior of women in Khartoum State of Sudan, as well as the impact of changes in the attributes of public delivery services on the market shares of delivery services. Time distance and transportation cost have significant negative effects, while the random ‘quality’ coefficient is positive but not significantly different from zero. Further, the likelihood of choosing home over public delivery services increases with order of birth. The positive effects of women's education and household income are most important for those who prefer private over home delivery whereas the use of modern antenatal services is decisive in choosing modern over home delivery. Also, shifts in demand toward public delivery services resulting from improvements in quality and qualifications of medical staff might be undermined by the reduction in demand emanating from a rise in the order of delivery, time distance and transportation cost to public delivery institutions. The income effects are more pronounced, particularly for the share of private delivery services. Educated women tend to shift from home to modern delivery services.

Interest Rate Liberalization and Economic Growth in Zambia: A Dynamic Linkage

Nicholas M. Odhiambo

Abstract: This paper examines the dynamic impact of interest rate reforms on economic growth in Zambia—using two models in a stepwise fashion. In the first model, the efficacy of interest rate liberalization is examined by regressing the interest rate on the level of financial deepening. In the second model, the causal relationship between financial depth and economic growth is examined by incorporating savings as an intermittent variable in the bivariate setting, thereby creating a simple trivariate model. Using the cointegration-based error correction model, the study finds strong support for the positive impact of interest rate liberalization on financial deepening. In addition, the study finds that financial deepening, which results from interest rate liberalization, Granger causes economic growth. The results apply irrespective of whether the

causality is estimated in the short run or in the long run. Other results show that: (1) lagged financial depth leads to further financial deepening; (2) savings and economic growth Granger cause each other; and (3) financial development Granger causes savings in the long run.

Long-term Determinants of Deforestation in Ghana: The Role of Structural Adjustment Policies

Samuel Nii Ardey Codjoe and Fred M. Dzanku

Abstract: Prior to the 1980s, Ghana witnessed an alternating cycle of boom and scarcity, culminating in the introduction of structural adjustment policies in the early 1980s. This paper uses data from the Ghana Forestry Services, Ministry of Food and Agriculture, FAO Yearbook of Forestry Products, Ghana Timber Marketing Board, Quarterly Digest of the Ghana Statistical Service, World Debt Tables, Bank of Ghana, IMF, COCOBOD and Ministry of Finance to examine the impact of SAP on deforestation in Ghana. The paper reveals a negative impact of structural adjustment on deforestation in Ghana through both direct and indirect channels. The most important channel of the effect of SAP on deforestation resulted from the conversion of forestland to crop farming, particularly cocoa farming, during the post-adjustment period. Even though wood extraction exhibited a negative impact on deforestation, the impact seemed relatively weaker than that of agricultural land use. In addition, while in the long run, deforestation tended to be more responsive to logging than agriculture, in the short run the elasticity of deforestation with respect to agriculture tended to be greater than that with respect to logging. Finally, agriculture was relatively more important in causing deforestation.

WTO: Trade-Related Aspects of Intellectual Property Rights edited by Peter-Tobias Stoll, Jan Busche and Katrin Arend

Tonia Kandiero

Oil and Gas in Africa

John C. Anyanwu
